

Kumusta

Tagalog

Project Management Process Groups				
Initiating	Planning	Executing	Monitoring & Controlling	Closing

Project
4. Integration
Management

Knowledge Areas

5. Scope

6. Time

7. Cost

8. Quality

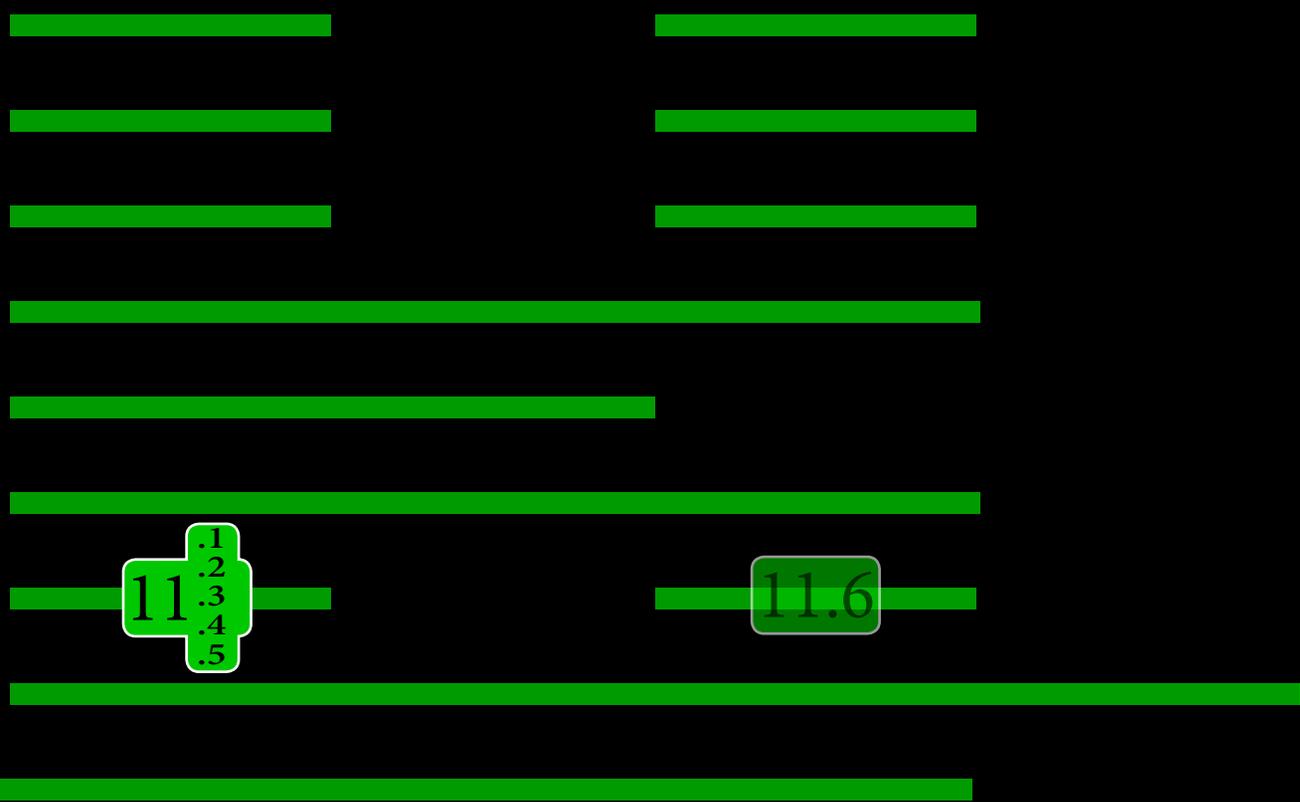
9. Human Resources

10. Communications

11. Risk

12. Procurement

13. Stakeholder



Project Risk Management

Project Risk Management

Initiating
Process Group

Planning
Process Group

- 11.1 Plan Risk Management: how to proceed
- 11.2 Identify Risks: which risks may affect the project?
- 11.3 Perform Qualitative Risk Analysis: prioritize
- 11.4 Perform Quantitative Risk Analysis: analyze
- 11.5 Plan Risk Responses: reduce threats

Executing
Process Group

Monitoring &
Controlling
Process Group

- 11.6 Control Risks: implementing risk response

Closing
Process Group

What is Risk?

“Project risk is **an uncertain event or condition** that, if it occurs, has a positive or negative effect on one or more project objectives...”

Positive risk = opportunities

Negative risk = threats

In **risk management** you work to decrease the probability and impact of threats to your project.

Some **risk factors** to measure:

Probability

Range of outcomes

The expected timing of the risk

The anticipated frequency of risk

What is Risk?

Risk attitudes of both the organization and the stakeholders may be influenced by:

Risk appetite - the degree of uncertainty an entity is willing to take on in anticipation of a reward

Risk tolerance - the degree, amount, or volume of risk that an organization or individual will withstand

Risk threshold - the level of impact at which a stakeholder may have a specific interest.

- Below the threshold, the organization will accept the risk
- Above the threshold, the organization will not tolerate the risk

Risk Adverse: Someone one does not want to take risks

What is Risk?

Uncertainty is a lack of knowledge about a risk.

Known risks are identified and analyzed, making it possible to plan responses for those risks. Known risks that cannot be managed pro-actively should be assigned a **contingency reserve**

Unknown risks cannot be managed pro-actively and therefore may be assigned a **management reserve**

What is Risk?

Risk response: an organization's balance between taking a risk and avoiding risk

An organization should be committed to **address risk management** pro-actively and consistently throughout the project

What is Risk?

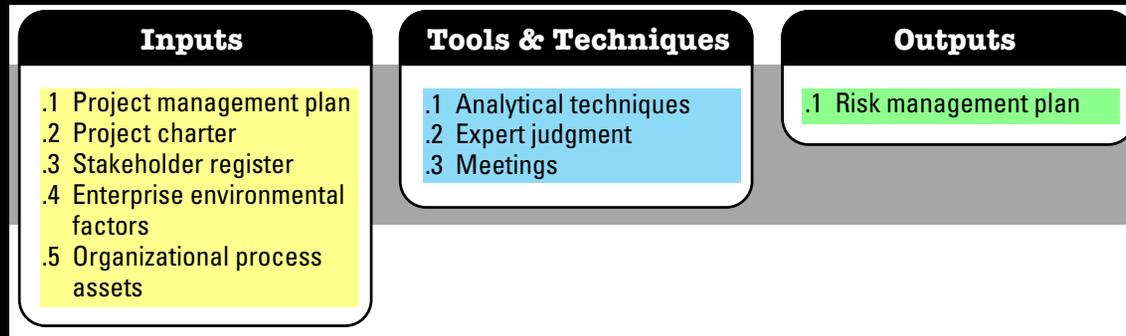
Risk management in PMI is **very process driven** so expect to see input and output questions on the **exam**

Memorize the process and how it can change the way projects are managed

On large properly managed projects:

- **there are no significant daily problems** because they were eliminated with risk response plans
- risks are addressed **before they happen**
- if a **risk event occurs there is a plan** in place to deal with it

Plan Risk Management



Project Management Plan: provides baseline or current state of risk-affected areas including scope, schedule and cost

Organizational Process Assets:

Risk categories

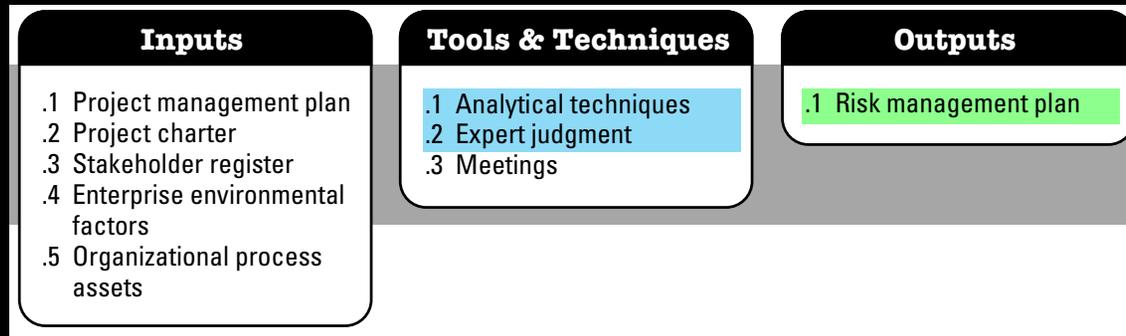
Common definitions of concepts and terms

Risk statement formats and standard templates

Roles and responsibilities and authority levels for decision making

Lessons learned

Plan Risk Management



Analytical Techniques: know the risk management context

Analise stakeholder's **risk profile**

Expert Judgment from:

Senior management

Project stakeholders

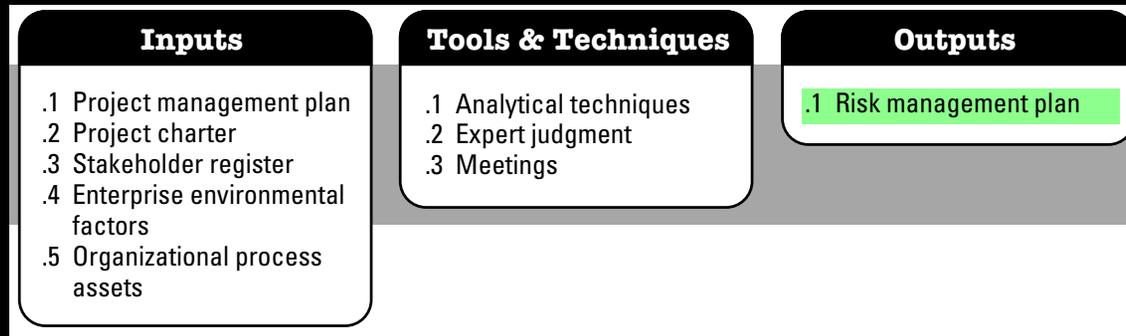
Project managers who have worked on similar projects

Subject matter experts (**SMEs**)

Industry groups and consultants

Professional and technical associations

Plan Risk Management



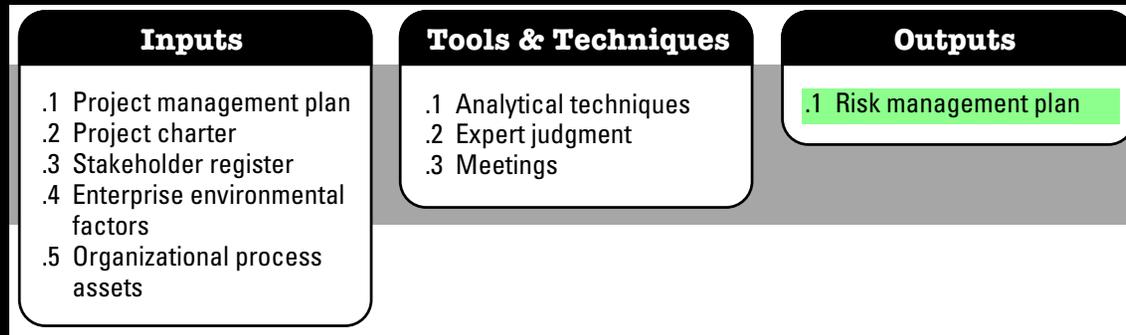
Risk Management Plan: describes how risk management activities will be structured and performed and should include:

Methodology: the approaches, tools, and data sources that will be used

Roles and responsibilities: who will do what & their responsibilities

Budget: estimate of the cost of risk management

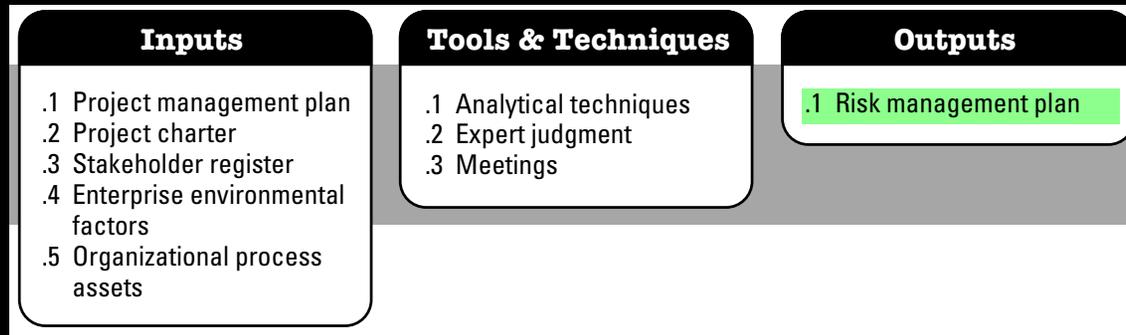
Plan Risk Management



Risk Management Plan includes elements of timing:

- **when and how often** risk management processes will be performed
- when to use **contingency reserves**
- creates risk management activities to **include in the project schedule**

Plan Risk Management



Risk Management Plan includes **Risk categories** (groupings potential causes of risk) such as:

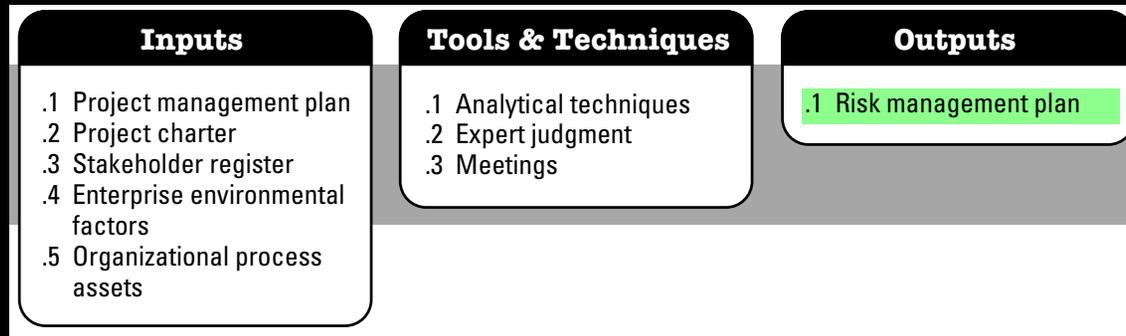
External: regulatory, environmental, market shifts

Internal: time, cost or scope changes, inexperience, poor planning, staffing

Technical: changes in technology

Unforeseeable: should only be 10% of total risk

Plan Risk Management



Risk Management Plan includes **Risk categories** (groupings potential causes of risk) such as:

The **customer**

Lack of project management knowledge or effort

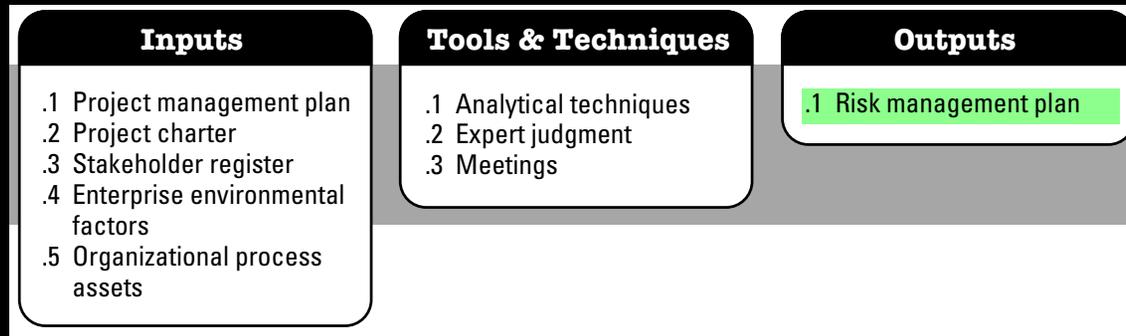
The **customer's customer** (the user)

Suppliers

Resistance to change

Cultural differences

Plan Risk Management



Risk Management Plan includes a **Risk Breakdown Structure (RBS)**:

- helps the project team see sources of risk
- could be a simple list of categories or, and better, a RBS diagram

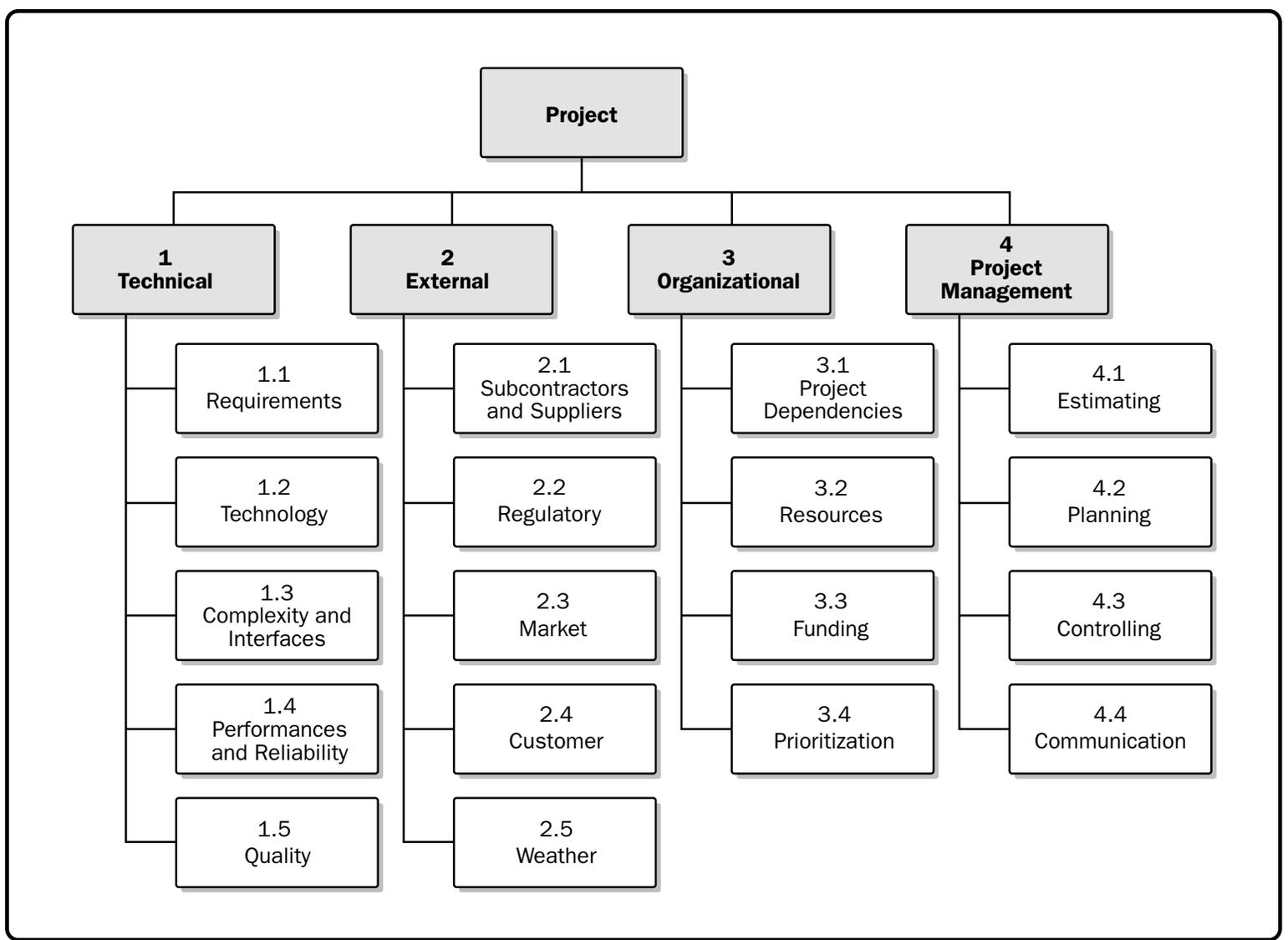
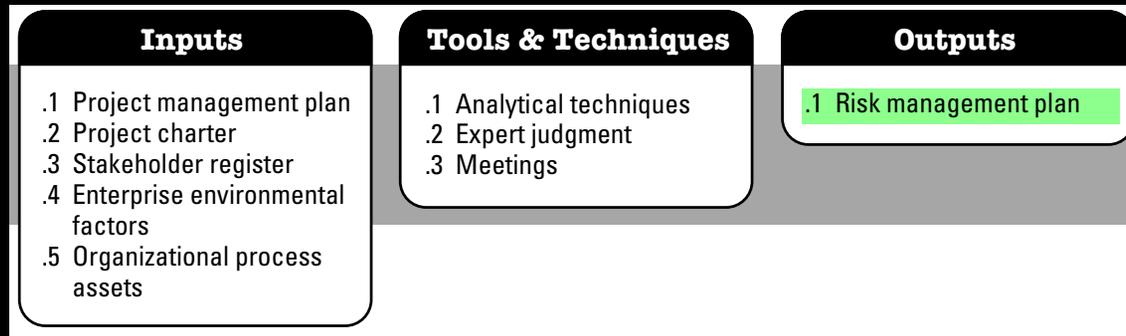


Figure 11-4. Example of a Risk Breakdown Structure (RBS)

Plan Risk Management



Risk Management Plan includes:

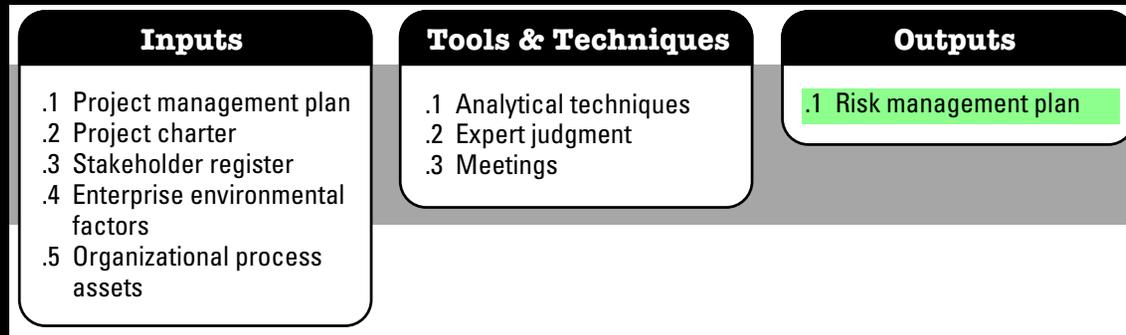
the **Definitions of risk probability and their impact**: defining relative scale of these

Table 11-1. Definition of Impact Scales for Four Project Objectives

Defined Conditions for Impact Scales of a Risk on Major Project Objectives (Examples are shown for negative impacts only)					
Project Objective	Relative or numerical scales are shown				
	Very low /0.05	Low /0.10	Moderate /0.20	High /0.40	Very high /0.80
Cost	Insignificant cost increase	< 10% cost increase	10 – 20% cost increase	20 – 40% cost increase	> 40% cost increase
Time	Insignificant time increase	< 5% time increase	5 – 10% time increase	10 – 20% time increase	> 20% time increase
Scope	Scope decrease barely noticeable	Minor areas of scope affected	Major areas of scope affected	Scope reduction unacceptable to sponsor	Project end item is effectively useless
Quality	Quality degradation barely noticeable	Only very demanding applications are affected	Quality reduction requires sponsor approval	Quality reduction unacceptable to sponsor	Project end item is effectively useless

This table presents examples of risk impact definitions for four different project objectives. They should be tailored in the Risk Management Planning process to the individual project and to the organization's risk thresholds. Impact definitions can be developed for opportunities in a similar way.

Plan Risk Management

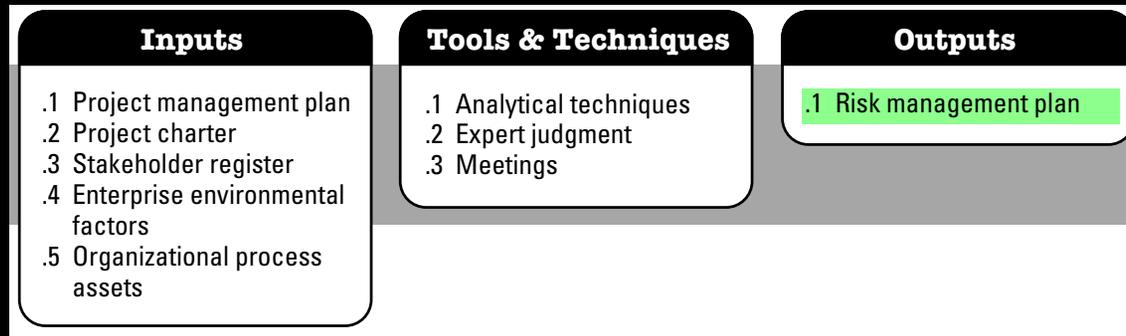


Risk Management Plan includes:

Probability and impact matrix: to determine the probability of each risk and its impact on the project (e.g. SWOT diagram)

Revised stakeholder tolerances: there may need to be revised because of the Plan Risk Management process

Plan Risk Management

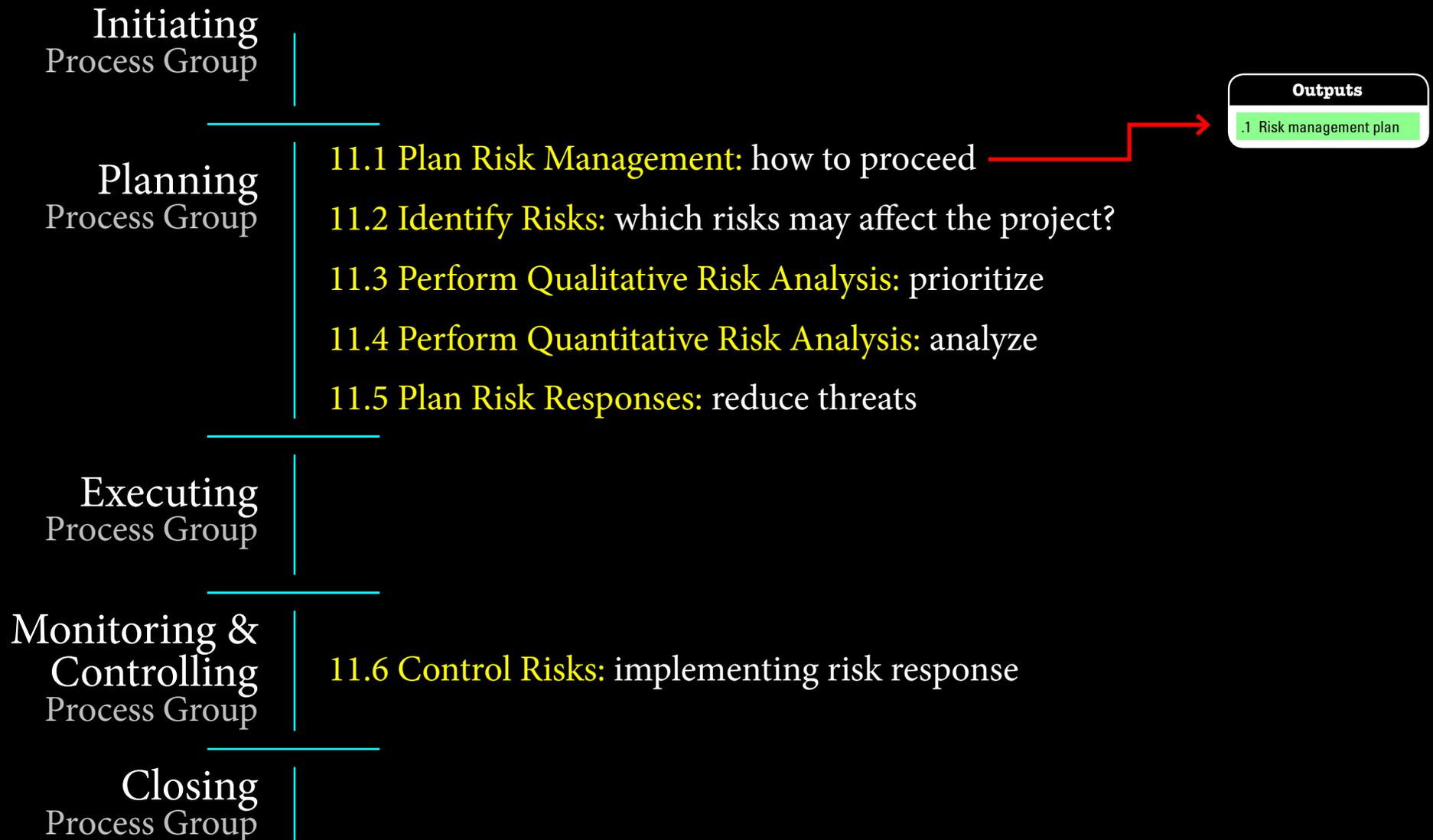


Risk Management Plan includes:

Reporting formats: the content and format of the risk register and any other risk reports

Tracking: processes and procedures to track risk management processes - be aware of how risk will be audited

Project Risk Management



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